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Romania

Poultry and Products

Annual

2002

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Report Highlights:
Effective demand for poultry is expected to grow in Romania, capitalizing on growing incomes. The sector continues to remain highly protected, with the applied MFN rate currently standing at 45 percent, while health requirements are tightening. In 2002 Romania has granted preferential treatment to EU for a 3450 MT quota, but, there are still important opportunities for U.S. exporters to sell relatively low-priced products (especially frozen leg quarters).

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Sofia [BU1], RO

Production

After stocks bottomed out at 69 million head in 1999, the poultry industry in Romania has recovered for the past two years. The end-of-year domestic inventories in 2001 stood at more than 71 million head, while the domestic supply of poultry meat was up 7 percent, reaching 194,000 MT carcass weight. This ascending trend has continued into the current year, when production is again expected to be 6 percent higher than one year earlier. Eight percent growth is forecast in CY 2003.

The figures above include the output of both commercial farming and small households relying on subsistence flocks; the latter (roughly 64,000 MT) never reaches the market, but, at the same time, is steady. Thus industrial farm production is growing more rapidly than the average (i.e., 8% in 2002 and 10% in 2003). After the sector experienced dramatic structural changes in the late 1990s, existing units of intensive commercial farming began to operate cost effectively. Nevertheless, there are still important structural and organizational problems facing the sector.

Broilers are mostly produced using the non-caged barn or "ground" method and only 5 percent of the farms use "cages". Barn yarn production requires much less investment plus it is consistent with EU requirements on animal welfare. Layers are grown in cages that do not fully comply with EU requirements (only 15% of egg production comes from modern cages). Recently, Romania passed specific regulations for layers (starting with 2003), to harmonise animal welfare legislation with the EU rules.

Most commercial producers are the formerly state held integrated units, acquired by private investors often from the Middle East or EU countries. Almost half of the broiler producers are large farms of over 6,000 tons capacity.

Farm size Annual Capacity	**Percent Market share**
over 6,000 tons	49
1,500 – 6,000 tons	26
less than 1,500 tons	25

PSD Table Poultry, Meat, Broiler

PSD Table						
Country	Romania					
Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	70	0	71	0	72
Slaughter (Reference)	0	135.8	0	148	0	160
Beginning Stocks	0	0	0	0	0	0
Production	60	194	59	208	0	224
Whole, Imports	5	3	5	2	0	4
Parts, Imports	20	55	25	50	0	53
Intra EC Imports	0	35	0	32	0	30
Other Imports	0	23	0	20	0	27
TOTAL Imports	25	58	30	52	0	57
TOTAL SUPPLY	85	252	89	260	0	281
Whole, Exports	0	0	0	0	0	0
Parts, Exports	1	1	1	3	0	5
Intra EC Exports	0	1	0	1	0	2
Other Exports	0	0	0	2	0	3
TOTAL Exports	1	1	1	3	0	5
Human Consumption	82	251	86	257	0	276
Other Use, Losses	2	0	2	0	0	0
Total Dom. Consumption	84	251	88	257	0	276
TOTAL Use	85	252	89	260	0	281
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	85	252	89	260	0	281
Calendar Yr. Imp. from U.S.	0	11	0	14	0	12

Trade

Tariff protection for poultry products has been substantially lowered since 1997. Nonetheless, the poultry industry continues to be particularly sensitive domestically and hence highly protected by Romania.

For broiler meat, the customs duty rate is currently MFN 45 percent. A more detailed tariff picture for different poultry products is given in Table 1 below:

Table 1: Current applied duty rates (%) on selected poultry products:

HSC	Product	MFN tariff	Applied to imports from the EU	Applied to imports from CEFTA
0105.92.00	Live chickens, weighing not more than 2,000 g	16	16	10
0105.93.00	Live chickens, weighing more than 2,000 g	16	16	10
0105.99.30	Live turkeys	16	16	10
0207	Poultry meat			
0207.11	Whole birds, fresh or chilled	45	0	45
0207.12	Whole birds, frozen	45	x	45
0207.1210	“Chicken 70%”	45	x	28
0207.1290	“Chicken 65%”	45	x	28
0207.13	Cuts and offal, fresh or chilled	45	x	45
0207.14	Cuts and offal, frozen	45	x	28
0207.14.91	Livers	45	x	10
	Turkey meat and offal			
0207.24	Whole birds, fresh	45	x	45
0207.25	Whole birds, frozen	45	x	45
0207.26	Cuts and offal, fresh or refrigerated	45	x	45
0207.27	Cuts and offal, frozen	45	x	45

x: These products fall under the quota offered by Romania to the EU within the “Double zero” agreement.

"Double zero" trade negotiations with the European Union will lead to eventual free trade in selected agricultural products. Romania offers "zero" treatment for a quota of 3450 MT of chilled and frozen poultry meat sourced from the EU in 2002. This quota will be annually increased by 10 percent.

Central European Free Trade Agreement (CEFTA) member countries enjoy a preferential customs duty level of 28 percent on their broiler meat exports to Romania.

Romania was a net importer of poultry products after 1997, when the sector went through dramatic restructuring. Loss-making state owned farms were privatized or liquidated. In 2001, Romania imported 67,000 MT of poultry meat, of which 57,800 MT was chicken. Large suppliers were EU countries (mostly The Netherlands and Belgium) and Hungary. The U.S. became the second largest exporter, in 2001 shipping 11,120 MT ($7.8 million). The bulk of the U.S. shipments (10,300 MTs) were chicken leg quarters (HS code 020714) and a small portion was "mechanically deboned meat" (MDM).

Over the first five months of 2002 broiler meat imports grew 15 percent compared to the same period of the previous year, reaching 27,000 MT, of which US products made up 5000 MT. This was the result of both a deteriorating world price and the massive tax free imports (roughly 50% of the total) using the incentives regime granted to companies located in the several “disadvantaged zones” of the country. These investor advantages include customs duty exemptions for imported raw materials and will be suspended starting October 2002. There will be an immediate impact on trade. The measure had left room for tax evasion. Therefore imports will slow down towards the end of the year and further, into 2003, as the marketable domestic supplies continue to grow.

Romania is committed to adopt legislation compliant with European Union requirements. Thus, veterinary and phytosanitary measures are every day stricter. Recent developments limit the use of MDM to a certain percent of total product content and solely to processing under heat treatment. The veterinary authorities consider MDM to be a "human health hazardous", because of the high risk of bacterial contamination and recently changed the requirements for negative findings for Salmonella contamination based on 1gram sample testing.

Romania’s turkey inventories dropped to some 300,000 birds almost entirely held in privare households. The GOR Customs reported imports of 9,300 MT for 2001, mostly turkey cuts, the main suppliers being France, Italy, the Netherlands. The U.S. shipped over 1000 MT last year, but only slightly over 204 MT in January-May of 2002. The demand for turkey is quite depressed, basically because the price is prohibitive for the average consumer.

Import Trade Matrix Poultry, Meat, Broiler

Import Trade Matrix			
Country	Romania		
Commodity	Poultry, Meat, Broiler		
Time period		Units:	Jan-May
Imports for:	2001	MT	2002
U.S.	11000	U.S.	5100
Others		Others	
The Netherlands	20750		8600
Belgium	8600		4500
Germany	1800		1400
Brazil	3800		1120
Italy			1050
UK			1350
Hungary			1950
Poland	3850		320
Thailand	2100		
Total for Others	40900		20290
Others not Listed	5900		2000
Grand Total	57800		27390

Import Trade Matrix Poultry, Meat, Turkey

Import Trade Matrix			
Country	Romania		
Commodity	Poultry, Meat, Turkey		
Time period		Units:	Jan-May
Imports for:	2001	MT	2002
U.S.	1069	U.S.	204
Others		Others	
France	3400		1380
Italy	1168		1860
The Netherlands	1450		192
Germany	834		1112
Brazil	270		50
Hungary	440		331
Total for Others	7562		4925
Others not Listed	705		465
Grand Total	9336		5594

Consumption

The consumption pattern for fresh and frozen poultry products has changed over the last decade. For the average Romanian, meat consumption has dropped dramatically while cereal-based products are making up a larger portion of the diet. Purchasing power of the population was eroded by inflation. In 2000, as in 2001, average annual meat consumption was 40 kg per capita, of which about 12 kg were poultry meat, much lower than in the EU countries or in the east-central Europe states (CEECs) (Table 2). This comparison also shows a deficiency in the Romanian consumption pattern as far as the protein intake is concerned.

Table 2: Consumption of basic food products

	1990			2000		
	Romania	EU average	CEECs average	Romania	EU average	CEECs average
Food (% of household expenditures)	57	17.0	37.4	55	14	28
Daily caloric intake (per person)	3200	3400	3100	2600	3440	3100
Daily protein intake (g/per person)	95	104	94	82	107	91
Meat and meat prod. consumption (kg/year)	72.2	83.1	75	40	90	70
Milk and dairy consumption (litters/year)	99	250	188	145	260	175

Source: Romanian Institute for Statistics, World Bank, Eurostat.

As economic growth develops, there will be an increase in the demand for food, which opens promising prospects for American meat suppliers (especially poultry). Post forecasts a 7 percent increase in annual poultry meat consumption for 2003.

Frozen leg quarters are (in most cases) imported via Constanza port and distributed through cold storage to Bucharest and other major urban areas for retailing in stores. By comparison, hotels and restaurants prefer chilled (white) meat.

Prices

Domestic market demand for broiler meat is based on the relatively high demand for the low-priced products (especially frozen whole birds and leg quarters). The white meat price is only very slightly higher than prices for chicken legs (Table 3). The average consumer is not concerned about low fat, low cholesterol products and, in addition, lacks buying power.

Table 3: Producer prices for broiler (chicken 16 week-old) chilled meat in 2001-02 (US$/MT)

Month	Whole birds	Breast, bone-in	Chicken legs, bone-in
2001			
January	1,415	1,772	1,674
February	1,545	1,841	1,861
March	1,726	2,260	2,305
April	1,767	2,233	2,239
May	1,735	2,398	2,433
June	1,695	2,332	2,333
July	1,607	2,121	1,889
August	1,560	2,111	1,883
September	1,561	2,028	1,730
October	1,568	2,056	1,787
November	1,520	2,078	2,080
December	1,529	1,945	2,000
2001 average	1,602	2,098	2,018
2002			
January	1529	1,917	1,918
February	1426	1,792	1,780
March	1282	1,718	1,712
April	1299	1,877	1,860

Source: Union of Romanian Poultry Producers.

Note: These farmgate prices do not include the VAT. The official monthly average exchange rate is used in all cases.

Prices Table Poultry, Meat, Broiler

Prices Table			
Country	Romania		
Commodity	Poultry, Meat, Broiler		
Prices in	US$	per	MT
Year	**2001**	**2002**	% Change
Jan	1415	1529	8.06%
Feb	1545	1426	-7.70%
Mar	1726	1282	-25.72%
Apr	1767	1299	-26.49%
May	1735	1269	-26.86%
Jun	1695	1288	-24.01%
Jul	1607		
Aug	1560		
Sep	1561		
Oct	1568		
Nov	1520		
Dec	1529		

Prices have been going down during the first semester of 2002, mainly under the pressure of depressed import parity border prices.

Domestic Support

Commercial poultry growers are eligible in 2002 for the support programs of the Ministry of Agriculture, meant to re-launch the poultry industry in Romania. Approximately US$8.6 million were budgeted for direct payments for 100,000 MT of broiler meat delivered to authorized slaughterhouses. These measures are to help domestic producers to compete with imports.

Veterinary Certificates and Labeling Requirements

Fresh, chilled and frozen U.S. poultry meat products are eligible to be exported to Romania with the FSIS Form 9250-1 (2/13/2002) as reported by AgBucharest in #RO2008.

Bilingual labels (English/Romanian) are required on all products exported to Romania.

The information may be written directly on packages or on labels. The label should include basic information on the product:
- product name;
- name and address of exporter;
- name and address of importer;
- production and expiration date;
- net weight;
- storage recommendation (for frozen products: to be stored at minus 18 degrees Celsius).

In the case of pre-packed frozen products, the labels should mention that “re-freezing after defrosting is prohibited”.

The Romanian authorities will not accept any inconsistencies in terms of matching establishment number or shelf life dates with the export documents and labels.

All U.S. exporters are advised to ask the importer about special requirements regarding labeling for the goods they intend to export, since every category of products has particularities.

Romanian authorities do not accept the transfer of the labels from one establishment to another, even if such establishments belong to the same producer and are officially inspected by the FSIS.

Information on labels and certificates must be comprehensible and clear, with no traces of change.